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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

(202) 828-8434

William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Ex Parte Presentation; Broadband Personal Communications Services
("PCS") C and F Block Installment Payment Issues, WT Docket 97-82)

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules and on behalf of CONXUS Communications, Inc. is an original and one copy of a written outline and attached exhibits which summarizes the data and issues presented to Commissioner Susan Ness and David Sidall by Bill deKay and Mark Moore, who are the President and the Chief Financial Officer of CONXUS Communications, Inc. ("CONXUS"), respectively, and Gerald S. McGowan, Esq. and Terry Romine, Esq. of this firm, counsel to CONXUS.

Kindly contact the undersigned, should you or your staff have any questions in regard to the enclosed materials.

Very truly yours,


Terry J. Romine

Enclosures

cc: Commissioner Susan Ness
David Sidall

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Meeting with Commissioner Susan Ness
June 26, 1997

Ex Parte Presentation
Broadband Personal Communications Services ("PCS")
C and F Block Installment Payment Issues
WT Docket 97-82

Deferral and Restructuring Narrowband PCS Installment Payments

I. Introduction

A. Purpose: CONXUS wants same regulatory treatment provided to broadband C and F Block Broadband PCS licensees in regards to installment payments. Any advantage provide to broadband PCS licensees causes disadvantage to CONXUS. Results in loss of competitive services in short and long term and rapid deployment of service to the consumer. Regulatory parity demands that two services be treated the same.

B. Status of CONXUS Buildout

1. CONXUS, MTEL and PageNet are only ones currently building out.
2. Commercial Service Begin 9/1/97
3. Currently has sufficient funding to build out 12 major metropolitan areas
4. CONXUS needs an additional \$150 million to complete buildout which would cover more than 75% of the nation
5. Difficulty because of lack of equipment and capital -- primarily capital now.

II. CONXUS' Obligations To Government Are Similar in Amount as C Block Winners and Financing for Business Plans Also Are Similar

A. Government Obligations

1. Only 11% of the C Block Winners paid an aggregate net bid greater than CONXUS; the other 89% paid an aggregate amount less than CONXUS
2. Only 2% of the F Block Winners paid an aggregate net bid greater than CONXUS.
3. Of the Winners which acquired both C and F Block Licenses, only 14% paid an aggregate net bid greater than CONXUS.

Meeting with Commissioner Susan Ness

June 26, 1997

- 2 -

B. Financing of Business Plans

1. CONXUS requires approximately \$500 million for capital expenditures to buildout nationwide system
2. Broadband PCS licensee with 800 million population service area requires approximately the same

III. Narrowband PCS and Broadband PCS Compete for the Same Customers

- A. Broadband PCS offers one-way paging and voice mail as part of its broader wireless telephone service.
- B. CONXUS offers voice mail service.

IV. Narrowband PCS and Broadband PCS Compete In the Same Capital Market for the Same Funds

- A. Capital market has subset for wireless telecommunications, and it is a shrinking pool of funds
- B. Stock market in up swing -- paging, cellular, PCS have all been significantly depressed
- C. Investor of CONXUS, who is also investor in broadband PCS C Block licensee, reduced investment in CONXUS latest financing round and other anecdotal investor information
- D. Like the broadband PCS C and F Block Licensees, CONXUS has had to pull offerings -- using preeminent investor bankers for offerings
 1. \$165 million high yield offering - Summer '96
 2. \$35 million redeemable stock offering - Dec. '96

- E. Latest offering commenced in January and just closed last week and raised minimum amount.

1. Wanted to raise \$50 million but lack of confidence that additional capital could be raised.
2. Only 15% of money raised was "new" money -- 85% came from existing stockholders
3. Obtained Vendor Financing in which \$135 million of the \$195 Million vendor financing is contingent on raising additional capital and other performance criteria.

- G. Capital expenditures requirement around \$500 million which may exceed a majority of the C and F Block Licensees Requirements

1. Need to raise additional \$150 million to complete nationwide buildout
2. If no further capital raised, operate in 12 cities

V. CONXUS Wants Fair and Equitable Treatment

A. CONXUS Requires Same Treatment as C/F Block Licensees

1. Critical two years during buildout when have no customers
2. Capital fund raising facilitated upon generating customer base

B. CONXUS Would Be Harmed By Preferential Treatment to C/F Block Licensee

1. Upon announcement of any relief to C/F Block will be flood of junk bond offerings which have been pent up awaiting FCC decision
2. Relief only to C/F Block will increase return on investment of these offerings to detriment of other competing offerings

CONXUS COMMUNICATIONS, INC.

PRESENTATION OF JUNE 26, 1997

OBBLIGATIONS

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**OBLIGATIONS OF SMALL BUSINESSES ACQUIRING
NARROWBAND PCS LICENSES AND BROADBAND PCS LICENSES
ARE SIMILAR**

CONXUS Narrowband PCS Net Bid Amount: \$90,927,000

Broadband PCS Net Bid Amounts:

<u>Aggregate Net Bid Amount</u>	<u>By Licensees</u>		<u>Aggregate for Bidders Winning Both C and F Block</u>
	<u>C Block Licensees</u>	<u>F Block Licensees</u>	
\$90 Million +	9	2	5
\$50 Million + to \$90 Million	10	2	4
\$0 to \$50 Million	60	83	26

<u>Aggregate Net Bid Amount</u>	<u>By Licenses</u>	
	<u>C Block Licenses</u>	<u>F Block Licenses</u>
\$100 Million +	27	1
\$50 Million + to \$100 Million	25	0
\$0 to \$50 Million	429	497

SAME SERVICE

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Today New York. Tomorrow the world.

Sprint Spectrum is the only personal phone, answering machine and pager that goes with you to New York City.

Sprint Spectrum has revolutionized communications in the Washington-Baltimore area.

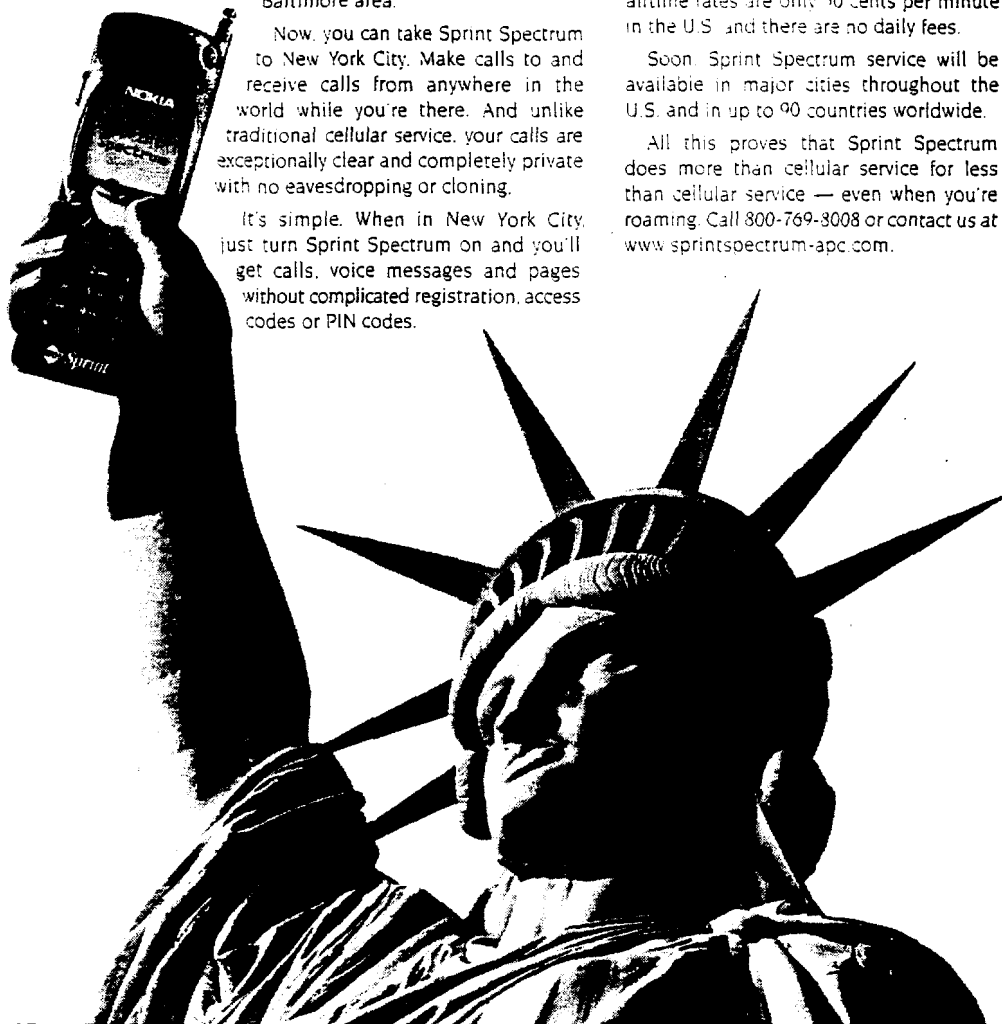
Now, you can take Sprint Spectrum to New York City. Make calls to and receive calls from anywhere in the world while you're there. And unlike traditional cellular service, your calls are exceptionally clear and completely private with no eavesdropping or cloning.

It's simple. When in New York City, just turn Sprint Spectrum on and you'll get calls, voice messages and pages without complicated registration, access codes or PIN codes.

Plus, you'll save up to 30% off cellular roaming rates. Sprint Spectrum airtime rates are only 50 cents per minute in the U.S. and there are no daily fees.

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All this proves that Sprint Spectrum does more than cellular service for less than cellular service — even when you're roaming. Call 800-769-8008 or contact us at www.sprintspectrum-apc.com.



Sprint SpectrumSM

 **Sprint.**

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there will be more pressure to be competitive," said Bukasa

The status of France Telecom officially changed from

Compucon Daygates Telecom said it's a step in the

correct evaluation

THE CHALLENGE OF A NEW SET OF CUSTOMERS TO TALK. VIDEO CONFERENCES. AND THE WAY MOST OF THE WORLD WASN'T EVEN ON SPREADING THEM.



UNRESTRICTED

AUGUST, 1996 :21

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A

In the tense Cold War era even the best of diplomats had trouble communicating. So much so, they often resorted to gestures that needed no translation. Still, this very environment inspired a technological breakthrough which improved communication between people in an entirely different manner. It's called CDMA technology (Code Division Multiple Access). Back then, the government used a predecessor of CDMA to ensure fail-safe communications. QUALCOMM saw its potential and developed it for the public. Your customers can experience CDMA by way of the QCP-800, the first cellular CDMA phone that offers a battery that lets them talk up to five hours. Of course, any phone that doesn't lose power during important calls is likely to make your customers want to talk for days, or as much as the arm-waving statesman shown here. Whichever is longer.

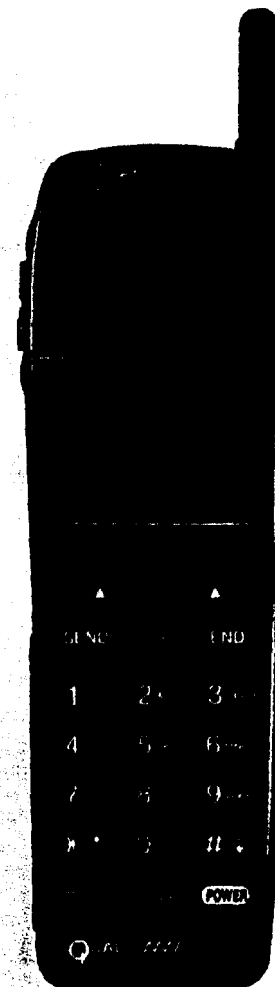
VITAL STATISTICS:

- 1. The QCP-800's battery is a long-winded diplomat. It's an analog power source of 1000mAh. Long-winded diplomat is that redundant. You can't recharge it whenever you want without disrupting the phone's operation. Unlike other batteries.
- 2. The QCP-800's CDMA technology offers improved voice quality, better reception, less background noise, and fewer dropped calls. It also allows for simultaneous dropping with CDMA's enhanced security.
- 3. The QCP-800's are the only way to get a message across. The QCP-800's are the only way to get a message across. The QCP-800's are the only way to get a message across.

QCP-800

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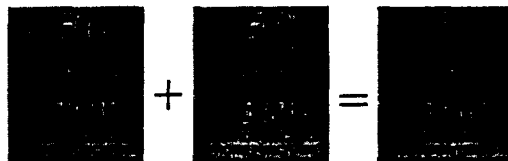
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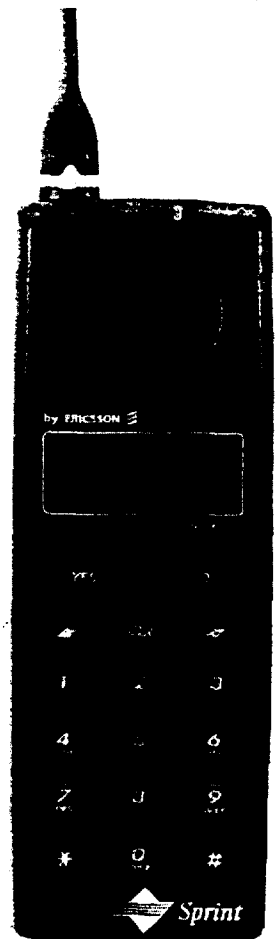
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Trends

PAGING DECLINES TO COOPERATE WITH "DEATH BY PCS" SCENARIO

Paging carriers have labored for some time now under the widespread impression that their industry is teetering on the brink of extinction and will be finished off by broadband PCS. PCS providers, it was theorized, would bundle paging functionality with voice and other advanced services in an almost equally convenient package and for not much more money. In television spots, American Personal Communications (APC), for example, called its handsets "a phone, answering machine, and pager all in one."

Against that backdrop, many investors lost confidence in the long-term future of paging, even as the industry worked furiously on advanced voice and two-way services. Paging stocks began tumbling last summer and most still have not recovered.

Paging carriers were hurt by the collapse of their market valuations, but they have stubbornly continued breathing a year and a half after PCS arrived on the scene. Indeed, as more market data becomes available, carriers are loudly disputing predictions of their imminent demise. In the words of one paging CEO, the industry is "not just [surviving] with broadband PCS in the marketplace, it is thriving."

...Subscriber Growth Retreating Forward?

That statement was made by Metrocall Inc. [MCLL] CEO Bill Collins in a May 6 conference call with analysts discussing Metrocall's first quarter results.

Collins pointed to solid growth in markets where Metrocall faces competition from PCS providers.

In Washington D.C., the most mature PCS market in the nation, Metrocall added 12,500 net new subscribers last quarter, bringing its total to 237,500. That represents annual subscriber growth of about 22 percent, well above the company's overall pro forma growth rate of 16 percent last quarter.

Metrocall also posted strong growth figures in the greater Richmond and Tidewater areas of Virginia, where Collins said PrimeCo Personal Communications LP "aggressively initiated and promoted" its PCS service last quarter. In those areas, Metrocall added 9,700 net new subscribers, reaching a total of 200,000 and an annual growth rate above 19 percent.

Churn was 2.7 percent in Washington and 2.5 percent in Richmond and Tidewater, both above the company's overall 2.1 percent churn rate.

...Even PCS Users Want To Keep Their Pagers

As more PCS services roll out, Metrocall's experience may well be repeated in other markets. While PCS, and particularly short message service (SMS), seem to offer the same functionality as a pager, customers appear to see a clear distinction.

Consulting firm IDC/Link found strong evidence for this in its fourth annual Wireless Communications User Survey. The survey interviewed 1,000 U.S. households with cellular or PCS service. One survey question asked "If your cellular/PCS phone provided short messaging service, would you stop carrying your pager?" Only 17 percent of respondents said they would, another 17 percent were unsure, and 66 percent said they would not. Clearly, SMS is not seen as a viable replacement for paging at this time.

"We think one of the biggest misconceptions in the wireless industry is that text paging is going to be destroyed by digital cellular and PCS short message services," said IDC/Link analyst Julie Rietman. Rietman cited limited SMS coverage areas and the superior battery life of pagers as factors operating in paging's favor.

CAPITAL FUNDING

Article 3 of 3

Credit Markets

Junk-Bond Market Appears to Be Leery Of Debt for Fledgling Wireless Industry By Suzanne McGee and Anita Raghavan

08/26/96

The Wall Street Journal

Page C1

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NEW YORK -- The junk-bond market, which helped finance the growth of the cable-television and cellular-telephone industries, is running into roadblocks as it tries to fill the same role for wireless-telecommunications companies seeking startup capital.

Wireless communications, such as paging and cellular services using new all-digital technology, could give investors the chance to buy a piece of the next MCI or Microsoft, some junk-bond analysts believe. But the fledgling industry still is struggling to get off the ground, as companies that won Federal Communications Commission licenses to build networks secure the funds they need to cover hefty start-up costs.

A crucial part of the financing is the junk-bond market, where as much as \$1.8 billion in bonds issued by these newcomers could hit the market over the next six weeks. That is on top of the \$8.7 billion in telecommunications-related debt issued publicly and privately, or 22% of all new junk offerings, so far this year, calculates Lehman Brothers Inc.

This wouldn't seem to be a problem for junk-bond investors. Even though the number of new junk-bond issues, defined as bonds rated double B or below by agencies such as Moody's Investors Services Inc., is poised to set a record this year, the yield premium paid by issuers is close to all-time low levels, reflecting the bonds' popularity.

But the telecommunications bonds, particularly those for wireless communications, are the exception. By far the fastest-growing sector of the junk-bond market, they are also the trickiest for investors to understand, involving an array of new technologies that are likely to materialize in the future, rather than today.

"It's a lot easier to figure out if a zipper factory will be running three years from now than try to figure if your company, managers and technology are going to triumph," one strategist says.

Reflecting this uncertainty, at least three issues have been pulled in recent weeks as investors shied away, and underwriters have had to sweeten other offerings to obtain critical financing.

"There's such a supply binge of these 'concept' companies coming down the pike that there's no incentive to buy them when they're first offered," says Harry Resis, who manages \$5 billion in high-yield investments for Zurich Kemper Investments Inc. in Chicago. "You just know that the next one coming along will be even cheaper."

The skittishness in the wireless sector could spill over to the broader junk-bond market. "You could have a setback" in the high-yield market, says Mark Patterson, head of leveraged finance at CS First Boston Inc. But any pullback, he says, would be on a "much smaller scale" than in the late '80s when dozens of junk-bond companies spiraled into default and investors were stuck with searing losses.

Last week, Sprint Spectrum L.P., a joint venture of Sprint Corp., Tele-Communications Inc., Comcast Corp. and Cox Communications Inc., raised \$523.4 million in a two-part junk-bond offering underwritten by Lehman and Merrill Lynch & Co. Originally proposed as a \$650 million issue, the pricing was delayed by a week as investors hemmed and hawed over the deal's provisions. Despite the brand-name parents, many big junk-bond investors said they opted not to buy. Sprint, which has a 40% stake in the venture, stepped in to pick up \$100 million of the zero-coupon portion of the offering, the hardest to market in the current environment.

Zero-coupon bonds have been a popular way for wireless companies and other telecommunications concerns to issue debt, allowing them to price the bonds at a discount and defer cash interest payments for several years until their new systems are built and generating cash flow. But these bonds are less attractive to investors, particularly at times of interest-rate turbulence, because they are far more volatile than traditional corporate bonds.

"The zeros have overwhelmed the market, and there's only so much tolerance for this kind of paper," says David Wells, managing director and high-yield bond analyst at Bear, Stearns & Co. "The capital markets right now are working against these guys, and some of the paper of this kind issued in the past has disappointed investors."

Curtis Barrows, who manages the Phoenix High-Yield Fund, added Sprint Spectrum bonds to his portfolio only because he likes Sprint itself, but he plans to shun most other wireless offerings.

"We're essentially being asked to provide what looks like venture capital financing," Mr. Barrows says. "I don't know the upside, I don't know the downside, I don't know how to value it. I don't think I need many in my portfolio."

One reason for Mr. Barrows's unease, he confesses, is that he was burned by an investment in zero-coupon bonds issued by Nextel Communications Inc. in early 1994. Technological glitches temporarily disrupted the company's plan to build an all-digital wireless network and the bonds, issued at par to yield 9.625%, plunged in value, yielding at times more than 15%.

The deluge of new issues has driven prices of many existing high-yield telecommunications bonds sharply lower. Junk-bond traders say, for instance, that Nextel's 2004 zero-coupon issue is trading to yield 14.6%, up from 13.53%. (Bond yields rise as prices fall.) Meanwhile, Metrolcall's 10.375% bonds now trade at 77 cents on the dollar, down from 103 in mid-February, and ProNet bonds have fallen to trade at 91 cents on the dollar compared with 111 in mid-February.

As a result, issuers are being forced to overhaul their offerings to make them more alluring. Wireless One Inc., a Baton Rouge, La., wireless cable-television concern, cut the size of its issue to \$125 million from \$175 million and added warrants to buy shares in the company for a penny each to the bonds. The fact that even the Sprint Spectrum issue didn't go smoothly was widely interpreted as a poor omen for other companies.

"What happens when John Doe's Wireless comes to market with a bond issue, if Sprint stutters a bit?" Mr. Barrows asks.

Some underwriters and investors say it is possible more deals will be yanked, like the \$165 million proposed issue by **PCS Development Corp.**, an operator of voice-paging systems, or delayed, as in the case of **NextWave Telecom Inc.**, which is seeking to issue \$400 million in 10-year notes. People familiar with the **PCS Development** issue say it was pulled after investors demanded a higher yield than the company wanted or could afford to pay. While **PCS**, at least, has enough cash on hand to proceed with its operations while waiting for market conditions to improve, dealers warn that won't always be the case.

"The FCC must be wondering whether the companies that bought licenses are able to finance their deals in the current market environment," one Wall Street participant says.

That puts the agency in an awkward position: The high-profile auctions held over the past 18 months to auction off wireless voice and data licenses were touted as an example of government's commitment to capitalism. If the FCC has to restructure payment schedules, or even reacquire the franchises if companies aren't able to meet their commitments, that would taint the whole process, Wall Street frets.

At the time many auctions were held last spring, the stock market was booming. Many bidders pushed prices higher, in anticipation of being able to issue not only debt but the first in a string of stock issues. But now stock investors as well are retreating from wireless deals as that market becomes more turbulent.

"They are shying away . . . because it is too speculative," says Tony Ehinger, co-head of stock syndication at CS First Boston. The companies coming to market are viewed as risky bets since they don't have current earnings or cash flow but do have huge capital-spending requirements. And without an equity offering, it is hard to place junk bonds, since bond investors want to see stockholders beneath them in the capital structure of a company.

But not everyone is ready to say the game is over.

"If the wireless communications industry takes off like people think it will, these bonds will work," says Mr. Wells at Bear Stearns. "I'm confident that ultimately we'll fund a lot of successful companies."

Earnings

METROCALL TRIES TO ASSUAGE ANALYSTS' FEARS ABOUT BROADBAND PCS COMPETITION

Metrocall Inc. [MCLL] this week joined the growing list of paging companies trying to convince financial analysts that the advent of broadband personal communication services (PCS) poses no threat to the traditional paging business.

During a May 6 conference call to discuss first-quarter results with analysts, company executives also discussed accomplishments that have become fashionable among paging carriers this year: adding high-revenue customers, cutting costs, lowering debt and generating free cash flow.

President and CEO *Bill Collins* told analysts that in at least two markets where Metrocall competes with broadband PCS providers, "growth continues to be solid for the company." In Washington, where Sprint Spectrum [FON] has offered paging on its broadband PCS network for more than a year, Metrocall added 12,500 net new subscribers last quarter, to reach 237,500. That represents annual subscriber growth of about 22 percent, well above the company's overall pro forma growth rate of 16 percent last quarter. Churn in Washington came in at 2.7 percent, somewhat higher than the 2.1 percent logged by the company overall.

Meanwhile, in the greater Richmond and Tidewater areas of Virginia, Metrocall added 9,700 net subscribers, reaching 200,000. That represents an annual growth rate above 19 percent. Churn there came in at 2.5 percent. PrimeCo Personal Communications LP last quarter "aggressively initiated and promoted" its PCS service in greater Richmond and Tidewater, Collins said.

In all three markets, Metrocall is an "established player" with an "established position," Collins said. He added: "We trust this information will put any unrealized fears to rest." [Having heard] this report, hopefully you will realize that paging is not just [surviving] with broadband PCS in the marketplace, it is thriving." Here are other highlights from Metrocall's first-quarter report. The fourth-quarter numbers assume that Metrocall already had closed its acquisition of A+ Network.

- ▶ Net revenue increased to \$60.6 million, compared with \$57.0 million for the fourth quarter. That represents a 25 percent annualized growth rate.
- ▶ Operating cash flow rose from \$15.2 million in the fourth quarter to \$16.3 million in the first quarter--a 25 percent annualized growth rate.
- ▶ The carrier added 85,213 net new subscribers in the quarter to reach 2,227,564, fifth highest among paging carriers in the United States.

On May 1 Arch Communications Group [APGR] began operating all of its units under the name Arch Paging. The third-largest paging carrier said the move is designed to give it "significant marketing and communications leverage to sell its services on a national scale."



David M. Toll

Sincerely,

The Editors

David M. Toll, Senior Editor

P.S. Do you have a question or comment for the editor? He wants to hear from you! Call David Toll at 301/340-7788, ext. 2016, or e-mail dtoll@phillips.com.

Phillips Wireless Group

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bandwidth scarcity being what it is in Europe, coupled with regulatory pressure from PYTs, it is hard to see another standard emerge.

Unlike ERMES, DECT has gained momentum with more than 7 million units shipped to date, according to the DECT forum. "A significant portion of these units can be upgraded to carry the public, dual-mode GSM short messaging standards," said Richard Gerberands, Ericsson marketing manager. "With public systems being integrated, DECT's a viable public alternative to PHS."

"DECT started succeeding as an alternative to PHS," said Scott Goldman, president, The Goldman Group. "But DECT is primarily a wireless local loop system for business users. It has a long way to go before it reaches PHS' popularity with the general public."

Asia

The PHS effort in Asia is being coordinated by PHS International Limited, a Hong Kong-based joint-venture company bringing together the resources of NTT Group (NTT, NTT DoCoMo), Cable & Wireless, Hong Kong Telecom and Japanese trading company Itochu. The consortium has fared better than NTT's efforts in Europe with public PHS successfully accepted or operating in Hong Kong, Indonesia, Thailand, Australia, the Philippines and Macau.

"Some of this success is smoke," said Gerberands. "DECT has been accepted in as many markets. Other than Thailand, PHS has not taken off in Asia. For example, NTT released a statement that they had successfully allocated spectrum in China. Well, in actuality the Chinese allocated spectrum for TDMA, not PHS. [The Chinese] are actually trying to keep PHS out of China."

The Asian market provides a unique battleground for the proprietary standards. With ample free spectrum space and technology-hungry countries, both DECT and PHS have made strides in the market. Beyond public access, PHS has been accepted in 14 countries for wireless local loop systems and in five countries as a PBX alternative. "DECT's making ground in Asia, too," said Ochsner. "Frequency has already been allocated for DECT in India and the Philippines. DECT will compete. By 2000, we expect 30 million users worldwide."

Only time will tell which standard will be the most successful. In the meanwhile, PHS will have a hard time matching its success in Japan.

Wall Street Perspective

Jeanine Oburchay is an associate director and paging equity analyst at Bear, Stearns and Company. This column marks the first segment of her regular paging stock performance commentary for Inside Paging.

I probably don't need to tell you that the past 18 months have been just about the most grueling time to be a paging equity research analyst. The Bear, Stearns Paging Index, which includes PageNet, Arch, Mobile Telecommunications (Mtel), MobileMedia, Metrocall, American Paging, ProNet, PageMart and Teletouch, has been down more than 70 percent since the beginning of 1996.

This column is to keep Inside Paging readers apprised of the group's stock price performance and to discuss current influences on the stocks. This issue of Inside Paging, however, calls for a little background on what has contributed to the sector's decline, and some thoughts on expected trends.

Unfortunately, for the last few quarters paging stocks have not really traded based on the companies' fundamental performance, but rather on negative sentiment and unwarranted worries about the industry's future. As a result, finding the bottom of these stocks has been a challenge.

But sentiment in the last few weeks seems to be turning more positive than we've seen in a long time. Many of the larger paging stocks have begun to show some strength, primarily on the heels of strong first-quarter results from Mobile Telecommunications (Mtel), as well as a bullish strategy outlined by Arch Communications after that company announced its first quarter results on April 30th.

Arch, like many other paging companies, reprioritized its strategic objectives to lower its capital consumption and accelerate the reduction of its leverage ratios. The first quarter results were the first evidence of its ability to begin generating free cash flow from operations.

We believe that this seemingly industry-wide shift in emphasis toward free cash flow and more capital-efficient growth, combined with a growing realization that concerns about the viability industry are unfounded (that broadband PCS does not